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Progressive Foreign Policy Debrief

Intel for Advocacy

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SL: **The IMF's Punitive Surcharges**

The Takeaway:

- The IMF is profiting off of the most vulnerable countries by extracting surcharges — punitive fees that are not part of the loan principal or interest — on the loans it makes.
- The IMF is even forcing Ukraine to pay surcharges on loans taken out to defend from an invasion.
- The U.S. government can and should use its highly influential voice and vote on the IMF Board of Governors to suspend surcharges.

Ukraine's Loan Shark: The IMF

The International Monetary Fund (IMF or "Fund") holds enormous gatekeeping power for countries in need of capital and development assistance. As Putin's invasion of Ukraine reaches its eleventh week with no sign of stopping, the international community has rallied to support Ukraine with all forms of assistance, including additional emergency financial support.

But we need to talk about the surcharges the IMF tacks on and the repayment schedule it demands. As of right now, Ukraine is set to pay the IMF \$178 million in surcharges for 2022. Collectively, by the end of this year, the IMF is set to profit a whopping total of [\\$4 billion in extra fees](#) from vulnerable countries since the pandemic began.

So What Exactly Are Surcharges?

IMF surcharges are hidden fees tacked onto loans the Fund makes to some of the world's most indebted countries. There are two types of IMF surcharges: quota-based and time-based. Each country has a loan quota, and every dollar loaned above the quota is subject to surcharges. Time-based surcharges are for loans outstanding after 36 or 51 months. Surcharges are not part of the loan principal or the agreed interest rate, but instead are charges meant to punish countries that use the IMF the way it is meant to be used: as a lender of last resort.

Put it another way, a country needing emergency financing due to an unforeseen crisis, like an unprovoked invasion from its neighbor, will have to pay surcharges *on top* of the usual basic interest rate fees if they are borrowing over its allotted quota. Similarly, a country struggling to make timely repayments on its initial loans due to the economic catastrophe brought on by an ongoing global pandemic are now charged extra surcharges on the outstanding amount.

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The Price of Being Poor

Surcharges increase the cost of borrowing from the IMF for middle income countries in the most dire fiscal straits, despite the Fund's mission to provide those countries financial stability. As the international lender of last resort, the IMF can set loan terms that countries have to accept. But the terms the Fund has chosen to set are outrageous and counterproductive.

Due to the added surcharges, the cost of borrowing for Ukraine has increased by 60%. That means, while fending off an invasion in the midst of a global pandemic, Ukraine is set to pay \$423 million in surcharges back to the IMF over a period of two years. \$423 million is equal to a quarter of Ukraine's entire healthcare budget. These surcharges have real, profound effects on everyday people.

Even the United Nations has recently called on the IMF to provide emergency concessions by increasing its credit limits and suspending surcharges for two years.

Where Does the United States Come In?

This February, the Treasury Department rejected calls from 18 members of Congress to end IMF surcharges, citing the erroneous justification that the IMF needs these surcharges – despite them coming from the poorest and most vulnerable countries – to maintain its balance sheet.

The opinion of the U.S. government carries tremendous weight in an institution like the IMF, where the U.S. is the majority shareholder. The Biden administration can absolutely use the U.S. voice and vote in the IMF to provide immediate relief to struggling countries by suspending the surcharges.

There's a growing movement in Congress to do just that. Representatives Chuy Garcia and Pramila Jayapal have introduced the Stop Onerous Surcharges Act in Congress, which directs the U.S. representative on the IMF Executive Board to advocate for immediate suspension of surcharge collection and to push for a review of the policy.

Simply put, surcharges are punitive. It is punishment to vulnerable countries for being poor. As external shocks, from an unprovoked invasion to a raging pandemic, threaten lives and livelihoods around the world, IMF surcharges should be immediately suspended before they can impose any further limitation on countries protecting their people. The Fund should use the suspension to re-examine its surcharge policy, and find a way to operate that doesn't rely on kicking countries when they're down.

The Fight for Reproductive Rights:

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The right to an abortion has been constitutionally protected for nearly fifty years. Justice Alito's leaked opinion — presumably supported by Justices Kavanaugh, Thomas, Gorsuch, and Coney Barrett — is an egregious attempt to strip civil rights from millions of people.

Abortion is still legal. And this decision is not final. But as written, it would not only overturn decades of legal precedent, but also likely give license to yet more horrific forms of oppression of women, Black and brown people, undocumented individuals, LGBTQ individuals, those with low incomes or living in poverty, people in rural areas, and so many others.

The United States government has long supported laws like the Mexico City policy (global gag rule), and the Helms and Hyde amendments, embedding oppression into our domestic and foreign policy. All the while, Republican-controlled state legislatures at home have methodically cut away the right to access legal healthcare.

A clear majority of U.S. adults say abortion should be legal in all or most cases. Those voices will be silenced by this draft opinion, which reinforces the reality that U.S. foreign policy and domestic policy alike have, for far too long, been made by an unaccountable, out of touch, and largely white, largely male, elite minority — at the expense of the human rights of everyday people.

We are in solidarity with all of those who are in the struggle for reproductive freedom and human dignity.

BURIED LEDES

We know how the saying goes: if it ain't broke, don't fix it. Okay, **but as a GAO report revealed this week, the F-35 fighter jets [stay broken](#), and it costs absurd amounts of money to keep fixing them.** To officials at the Pentagon — let it go! The planes, the aircraft sales, the defense contractors, all of it. Let it go!

Question for you: **What's the worst part of the U.S. leaving [\\$7 billion](#) worth of military equipment in Afghanistan?** That the exact adversary those materials were meant to be used against now has access to them? That U.S. social programs went inadequately supported for twenty years to fund left-behind equipment and the war? There's a few options. We'll let you add others and decide which best fits.

North Korea conducted another [missile test](#) this week, the latest in a string of weapons displays the country has engaged in this year before South Korea's new president is sworn in,

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and as talks between the U.S. and North Korea remain on hold. We've said it [before](#) — we support principled and reciprocal steps by the U.S. to further diplomacy between all three states.

Speaking of troubling nukes tests, some New Mexicans would like the U.S. government to pay up for the consequences of its own. **The Senate recently [reauthorized](#) reparations to people exposed to radiation from nuclear weapons testing in the U.S. Southwest during World War II.** The fight continues to extend that compensation to more impacted communities, many of them Hispanic and Native American.

Who needs a healthy planet when we have Sen. Manchin?

Sen. Manchin [joined](#) Republicans in a 50-44 vote to transfer \$8 billion allocated for climate action — to a weapons building agency instead. What an inspiration.

Broad-based U.S. sanctions tend to fail, and they've destroyed millions of civilian lives abroad for years. **Assal Rad [argues](#) that if countries are supposed to be responsible for harming civilians in conventional war, the U.S. certainly has to be accountable for the harm their economic warfare has caused as well...**

...and it can start by [unfreezing](#) Afghanistan's \$7 billion in U.S.-held assets to be dispersed to help the people of Afghanistan. The United States' death grip on the Afghanistan economy is making a terrible situation worse, particularly for Afghan women and girls.

It's likely no surprise that **Win Without War is proud to endorse [legislation](#) introduced this week to transform U.S. policies for civilian casualty prevention and transparency from military operations.** After years of failed promises from the Pentagon to step it up and prevent unnecessary harm, members of Congress are intervening. No objections from us.

As we all leave Twitter for MySpace, **let's see whether Elon Musk will try to use Twitter, and the Pentagon's penchant for funding ridiculous ventures, to bully his way into even more lucrative Pentagon contracts.** As Stephen Ackerman [writes](#), "The defense industry is where capitalism gets laundered into patriotism," — we'll be watching Twitter closely..

And finally, never doubt the power of a [costume change](#)!